Enterprise Risk Management as an Antecedent of Firm Performance: Evidence from Kenya's Insurance Firms

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Abstract

Enterprise Risk Management (ERM) has become a strategic tool for mitigating uncertainty and enhancing organizational performance, particularly in dynamic and high-risk sectors such as insurance. This study examines the influence of ERM on the performance of Kenyan insurance firms using a census of all 55 listed firms in 2023, of which 48 responded, yielding a response rate of 87%. Data were collected through structured questionnaires targeting senior management, risk managers, and finance executives, complemented by semi-structured interviews. Quantitative data were analyzed using descriptive statistics, Spearman's correlation, and regression analysis, while qualitative data were thematically examined to capture implementation challenges and contextual insights. Findings indicate that structured ERM components including risk identification, risk assessment, risk interaction, and risk prioritization/response are positively associated with financial performance, operational efficiency, and strategic resilience. Risk identification and prioritization showed the strongest positive relationships, while risk interaction had a moderate effect. Institutional support and an innovation-oriented organizational culture emerged as key mediators enhancing the effectiveness of ERM. Challenges identified include resource constraints, limited technical expertise, and partial integration of strategic risk assessment. Overall, the study demonstrates that systematically implemented ERM frameworks are significant antecedents of organizational performance, providing actionable insights for managers, boards, and policymakers in the insurance sector and offering directions for future research on contextualized ERM practices.

Keywords: Enterprise Risk Management; Organizational Performance; Insurance Sector; Risk Governance; Systematic Review

1.0 Introduction

1.1 Contextual Perspectives on ERM

In contemporary business environments, organizations operate in increasingly complex and uncertain contexts. Factors such as globalization, technological disruption, regulatory changes, and heightened stakeholder expectations have amplified the prevalence and complexity of risks across organizational activities (Gordon et al., 2020). Enterprise Risk Management (ERM) has emerged as a strategic framework designed to identify, assess, and manage these risks holistically, rather than in isolated silos. By providing a structured approach, ERM enables organizations to anticipate potential threats, optimize resource allocation, and enhance overall decision-making processes (Balaji, Shreshta & Sujatha, 2024).

Globally, empirical research has consistently shown that ERM adoption enhances firm value, stabilizes earnings, and improves governance. For instance, Hoyt and Liebenberg (2011) find that U.S. insurers with more mature ERM programs enjoy significantly higher firm value and lower earnings volatility (Hoyt & Liebenberg, 2011). Similarly, Gatzert and Martin (2015) in a literature review conclude that firm size and institutional ownership are key determinants of ERM implementation, and that when ERM is implemented it generally exerts a positive effect on corporate performance (Gatzert & Martin, 2015). In African settings, evidence is more mixed: ERM is increasingly recognised as important, but many firms struggle with limited technical expertise, weak regulation, and resource constraints. In Kenya specifically, studies such as "Risk Management Practices and Performance of Insurance Companies in Kenya" (Onyango, 2021) demonstrate a positive relationship between risk identification, monitoring, mitigation and insurance firm performance, though risk assessment sometimes shows weaker or non-significant effects.

Enterprise Risk Management (ERM) has emerged as a strategic imperative for organizations seeking to enhance firm performance through proactive risk identification and mitigation. By integrating risk management across all levels of decision-making, ERM enables firms to anticipate potential threats and capitalize on opportunities, thereby improving operational efficiency and financial outcomes. Empirical evidence supports the notion that ERM positively influences firm performance, particularly when aligned with environmental, social, and governance (ESG) initiatives, which further strengthen a company's resilience and value creation (Chairani & Siregar, 2021). Moreover, studies in the banking sector demonstrate that ERM implementation correlates with improved metrics such as return on equity and firm value, underscoring its role as a performance driver (Soliman & Adam, 2017). These findings affirm ERM's position not merely as a compliance tool but as a foundational element in strategic performance enhancement.

ERM has become particularly critical in the insurance sector, where firms are exposed to a diverse array of financial, operational, and strategic risks. Traditional approaches in many developing economies, including Kenya, have largely relied on reactive measures such as insurance contracts or compliance checklists, which do not fully capture the interrelated nature of risks (Kaplan & Mikes, 2018). Consequently, firms that fail to adopt integrated ERM frameworks often experience inefficiencies, financial losses, and diminished resilience in the face of emerging challenges.

Empirical studies indicate that effective ERM implementation can improve organizational performance by enhancing risk awareness, facilitating proactive responses, and aligning risk management with corporate strategy (Gordon et al., 2020). Furthermore, the adoption of ERM fosters a risk-aware culture, strengthens governance structures, and promotes accountability across organizational levels (Ahmad & Teo, 2024). Despite these benefits, the extent of ERM adoption and its impact on performance remain underexplored in the African insurance context, particularly in Kenya.

The purpose of this study was to empirically examine the influence of Enterprise Risk Management (ERM) on organizational performance in Kenyan insurance firms. By collecting and analyzing data from all 55 listed insurance firms, the study identifies the key ERM components risk identification, risk assessment, risk interaction, and risk prioritization/response and evaluates their relationships with financial, operational, and strategic performance outcomes. The study further explores contextual enablers, including institutional support and innovation-oriented culture, as well as challenges such as resource constraints and skill gaps. The findings aim to provide actionable insights for managers, boards, and policymakers to strengthen ERM practices and enhance organizational resilience and performance.

1.2 Theoretical Framework

Enterprise Risk Management (ERM) research has often been anchored on multiple theoretical perspectives to explain its adoption, implementation, and impact on firm performance. This study applies three key theories viz; Agency Theory, Institutional Theory, and Contingency Theory to provide a comprehensive understanding of ERM in the Kenyan insurance sector.

Agency Theory posits that conflicts arise between principals (shareholders) and agents (managers) due to divergent interests and information asymmetry (Jensen & Meckling, 1976). In risk management, managers may avoid investments in ERM because the costs are immediate while benefits accrue to shareholders in the long term. ERM mitigates agency problems by enhancing transparency, aligning managerial decisions with shareholder wealth, and strengthening board oversight through risk committees. Empirical evidence suggests that ERM adoption reduces the cost of capital and improves firm value by lowering agency costs (Hoyt & Liebenberg, 2011). In the Kenyan insurance context, where governance failures and mismanagement have led to solvency challenges, ERM provides a mechanism for monitoring managerial behavior and safeguarding shareholder and policyholder interests.

Institutional Theory emphasizes that organizations adopt certain practices not only for efficiency but also to gain legitimacy within their institutional environment (DiMaggio & Powell, 1983). ERM adoption may thus be influenced by coercive pressures (regulatory requirements from bodies such as the Insurance Regulatory Authority of Kenya), mimetic pressures (imitating global best practices among insurers), and normative pressures (professional standards advocated by actuarial and risk management associations). Prior studies indicate that many firms implement ERM frameworks to comply with regulatory expectations or to enhance legitimacy with stakeholders, sometimes more symbolically than substantively (Paape & Speklé, 2012). For Kenyan insurers, institutional pressures from regulators and industry associations create strong incentives to adopt ERM as a sign of accountability and competitiveness.

Contingency Theory asserts that organizational effectiveness depends on the fit between internal structures and external environmental conditions (Donaldson, 2001). Applied to ERM, the theory suggests there is no universal approach to risk management; rather, ERM must be tailored to firm size, complexity, and environmental dynamism. Empirical studies confirm that ERM effectiveness is contingent on contextual factors such as market volatility and organizational culture (Florio & Leoni, 2017). In Kenya's dynamic insurance market, characterized by competition, regulatory reforms, and technological disruptions, a contingency perspective highlights that ERM frameworks must be adaptive and context-sensitive to drive performance.

These theories provide complementary lenses: Agency Theory highlights ERM's governance role in reducing information asymmetry; Institutional Theory explains external pressures shaping ERM adoption; and Contingency Theory underscores the importance of contextual fit in ensuring ERM effectiveness. Integrating these perspectives allows this study to capture the complex interplay of governance, legitimacy, and environmental adaptability in shaping ERM's influence on organizational performance in Kenyan insurance firms.

2.0 Statement of the Problem

Organizations across industries face an escalating range of risks that threaten operational stability, financial performance, and strategic objectives. The insurance sector is particularly susceptible due to its exposure to market volatility, regulatory pressures, operational complexities, and financial uncertainties. In Kenya, most insurance firms have historically relied on traditional risk mitigation tools, such as insurance contracts, compliance measures, and reactive policies, which are limited in addressing interconnected risks at an enterprise level (Mwangi & Ngugi, 2020).

Despite growing recognition of Enterprise Risk Management (ERM) as a strategic approach for enhancing organizational resilience, empirical evidence on its adoption and effectiveness in Kenyan insurance firms remains sparse. Previous studies often focus on developed economies (Gordon et al., 2020) or examine isolated risk management practices without capturing the holistic nature of ERM. Consequently, Kenyan insurance firms may lack structured risk frameworks that integrate risk identification, assessment, prioritization, and mitigation with corporate strategy, limiting their ability to anticipate threats, optimize resource allocation, and enhance overall performance.

Furthermore, recent global shocks, including the COVID-19 pandemic and fluctuations in financial markets, have highlighted the critical need for proactive, integrated risk management. Organizations that fail to adopt ERM risk operational disruptions, financial losses, and diminished competitiveness (Dahmen, 2023). In Kenya, additional constraints such as limited technical expertise, inadequate governance structures, and low awareness of best practices compound these challenges (Wanjohi & Ombui, 2021).

The research problem, therefore, centers on understanding the extent to which establishing a structured ERM framework can act as an antecedent to improved organizational performance in Kenyan insurance firms. Specifically, it addresses the gap in knowledge regarding how ERM components, risk identification, assessment, interaction, prioritization, and response, contribute to performance outcomes in a context characterized by high uncertainty and emerging market dynamics. This study aims to provide empirical insights to guide both policy formulation and managerial practices, ensuring that ERM is leveraged as a strategic tool for sustainable growth in the insurance sector.

3.0 Research Objectives and Hypotheses

3.1 General Objective

The general objective of this study was to examine the influence of establishing an Enterprise Risk Management (ERM) framework as an antecedent of organizational performance in Kenyan insurance firms. The study seeks to provide empirical evidence on how the systematic adoption of ERM components contributes to firm resilience, operational efficiency, and financial outcomes.

3.2 Specific Objectives

The study was guided by the following specific objectives:

1. To identify the various ERM approaches adopted by insurance firms in Kenya.
2. To empirically assess the relationship between risk identification and organizational performance.
3. To determine the association between risk assessment criteria and organizational performance.
4. To evaluate the impact of actual risk assessment practices on organizational performance.
5. To examine the effect of risk interaction strategies on organizational performance.
6. To analyze the relationship between risk prioritization and response strategies and organizational performance.

7. To develop a conceptual model demonstrating how a structured ERM framework influences organizational performance in the insurance sector.

4.0 Conceptual Framework

4.1 Introduction

A conceptual framework serves as a visual and theoretical representation of the study's key constructs and their interrelationships. In the context of this study, the framework illustrates how components of Enterprise Risk Management (ERM) act as antecedents to organizational performance in Kenyan insurance firms. The framework provides a systematic approach to understanding how risk identification, risk assessment, risk interactions, and risk prioritization/response strategies influence both financial and non-financial performance outcomes.

4.2 Components of the Framework

4.2.1 Independent Variables (ERM Components)

The independent variables in this study represent the core components of Enterprise Risk Management (ERM) that are hypothesized to influence organizational performance. Risk identification refers to the systematic process through which firms recognize potential risks, encompassing operational, financial, strategic, and compliance-related areas. Effective risk identification allows organizations to anticipate both challenges and opportunities, thereby positioning themselves proactively. Risk assessment criteria encompass the standards and methodologies used to evaluate the likelihood and potential impact of identified risks. These criteria involve both qualitative and quantitative approaches to determine the severity of risks and their relevance to the firm's strategic objectives. Actual risk assessment pertains to the execution of risk evaluations based on the established criteria, reflecting the organization's capacity to measure, monitor, and accurately document its risk exposure. Risk interaction strategies focus on understanding the interdependencies among different risks, including mutually amplifying risks and natural hedges, to ensure a comprehensive and integrated approach to risk management (Aduhene-Chinbuah & Peprah, 2024). Finally, risk prioritization and response involves ranking risks according to their potential impact and likelihood, followed by the implementation of appropriate strategies such as mitigation, transfer, avoidance, or acceptance to address them effectively.

4.2.2 Mediating Variables

The framework also incorporates two mediating variables that are posited to influence the relationship between ERM components and organizational performance. Attitude towards innovation in risk management captures the extent to which firms adopt innovative practices and tools to enhance risk control, decision-making, and overall risk responsiveness (Ahmad & Teo, 2024). By fostering a culture that embraces creativity in risk processes, organizations are better positioned to anticipate, mitigate, and leverage risks strategically. Institutional support, on the other hand, represents the level of governance, regulatory oversight, and internal backing that facilitates the effective implementation of ERM practices. Strong institutional support ensures that risk management initiatives are adequately resourced, aligned with corporate strategy, and consistently monitored, thereby reinforcing the impact of ERM components on organizational performance.

4.2.3 Organizational Performance

Organizational performance serves as the dependent variable in the framework and is assessed using both financial and non-financial metrics. Financial performance is measured through indicators such as Return on Assets (ROA), overall profitability, and revenue growth, reflecting the firm's ability to generate economic value and sustain competitive advantage (Diana & Maria, 2020). Complementing this, Balanced Scorecard metrics evaluate operational efficiency, customer satisfaction, employee engagement, and innovation outcomes, capturing a more holistic view of performance beyond financial returns. By combining these measures, the framework provides a comprehensive assessment of how enterprise risk management practices influence overall organizational effectiveness.

4.3 Framework Illustration

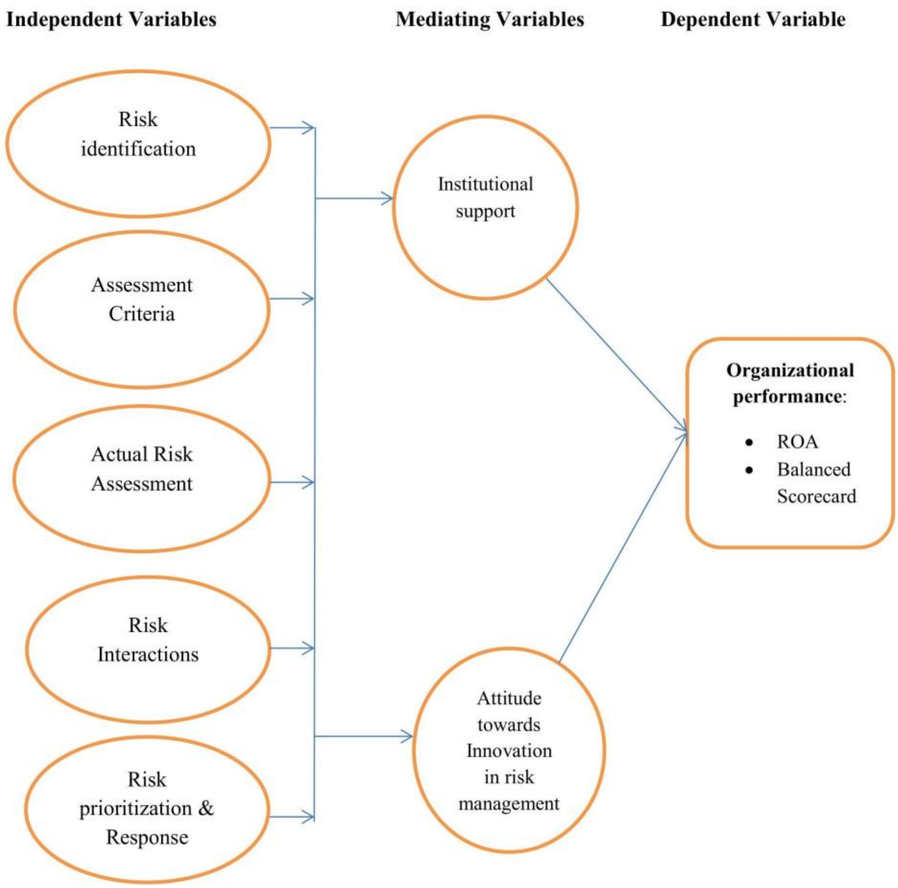

Figure 1: Conceptual Model of ERM and Organizational Performance
Source: Author (2025)

4.4 Justification of the Framework

The conceptual framework is grounded in recent literature (2019–2024) showing that ERM is not only a compliance tool but a strategic enabler of firm performance. By linking ERM components to both financial and operational outcomes, the framework provides a comprehensive perspective for empirical testing. The inclusion of mediators such as innovation attitude and institutional support acknowledges that the effectiveness of ERM is influenced by organizational culture and governance structures. This makes the framework particularly relevant for emerging markets like Kenya, where insurance firms face unique operational, regulatory, and market challenges.

5.0 Literature Review

5.1 Introduction

The literature review provides an in-depth synthesis of existing research on Enterprise Risk Management (ERM) and its influence on organizational performance, focusing on insurance firms and financial institutions. ERM has evolved from a compliance-focused function to a strategic capability, enabling firms to enhance resilience, capitalize on opportunities, and improve performance. This review highlights current theories, empirical findings, and gaps in knowledge, particularly in emerging markets like Kenya.

5.2 Enterprise Risk Management: Concept and Evolution

Enterprise Risk Management (ERM) is defined as a structured, consistent, and continuous process implemented across an organization to identify, assess, respond to, and monitor risks in alignment with strategic objectives (Ahmad & Teo, 2024). Over the last five years, studies have highlighted ERM as a strategic tool that extends beyond mere regulatory compliance, enabling firms to proactively manage uncertainties that may impact performance (Gordon et al., 2020).

Key features of ERM include a holistic risk view, which integrates risk information across all organizational functions; strategic alignment, which ensures that risk management activities are linked to corporate strategy and inform decision-making; and proactive risk management, which emphasizes the anticipation and mitigation of risks before they materialize.

Enterprise Risk Management is not merely a compliance exercise but a strategic enabler of performance in the insurance industry. While the relationship between ERM and firm performance may vary depending on context and implementation, the overarching evidence suggests that firms with mature ERM frameworks are better equipped to navigate uncertainty and deliver sustainable value.

Empirical evidence indicates that firms implementing comprehensive ERM frameworks demonstrate higher resilience to financial shocks and improved operational efficiency, underscoring the value of ERM in enhancing organizational performance (Wanjohi & Ombui, 2021).

5.3 ERM Components and Organizational Performance

5.3.1 Risk Identification

Risk identification is the first step in ERM, enabling firms to detect potential threats and opportunities. According to Gordon et al. (2020), proactive risk identification contributes to better strategic planning and resource allocation. Empirical studies (Wanjohi & Ombui, 2021) indicate a positive correlation between systematic risk identification and both financial and operational performance.

5.3.2 Risk Assessment and Prioritization

Risk assessment evaluates the likelihood and impact of identified risks using qualitative and quantitative tools. Prioritization ensures resources focus on high-impact risks. Tice (2024) argue that firms with structured risk assessment frameworks outperform peers by reducing unexpected losses. Recent research highlights that advanced techniques, such as Value-at-Risk (VaR), Cash Flow-at-Risk (CFaR), and Scenario Analysis, strengthen predictive risk control (Gordon et al., 2020).

5.3.3 Risk Interaction and Aggregation

ERM also involves analyzing interactions among risks. Interdependent risks can amplify potential losses, while some natural hedges reduce net exposure. Wanjohi & Ombui (2021) show that firms incorporating risk interaction strategies achieve better risk-adjusted performance.

5.3.4 Risk Response Strategies

Risk response includes mitigation, avoidance, transfer, and acceptance. Effective response strategies are linked to improved operational efficiency and financial stability (Muhani, 2023). Firms with formal risk response mechanisms are better positioned to maintain continuity during economic disruptions.

5.4 Mediating Factors Influencing ERM Effectiveness

5.4.1 Attitude towards Innovation

Organizational culture and openness to innovation significantly influence ERM effectiveness. Firms adopting innovative risk management tools, such as predictive analytics and digital dashboards, report higher efficiency and decision-making quality (Gordon et al., 2020).

5.4.2 Institutional Support

Regulatory frameworks, board oversight, and internal governance enhance ERM implementation. Ahmad & Teo (2024) find that institutional support mediates the relationship between ERM adoption and firm performance, particularly in insurance and financial sectors.

5.5 ERM and Organizational Performance in Emerging Markets

Empirical studies focusing on emerging markets, including Kenya, present mixed evidence on the impact of Enterprise Risk Management (ERM) on organizational performance. For instance, Wanjohi and Ombui (2021) found a positive and statistically significant relationship between ERM adoption and performance among Kenyan insurance firms, highlighting the potential benefits of structured risk management practices. Conversely, other studies indicate that low ERM maturity and limited regulatory enforcement may diminish these performance gains, reducing the effectiveness of risk management initiatives (Mutua, 2020). Emerging markets face distinct challenges such as regulatory gaps, low risk awareness, and constrained organizational resources, which collectively influence both the adoption of ERM and its subsequent impact on performance (Gordon et al., 2020). These findings underscore the need to contextualize ERM frameworks to local market conditions to maximize their effectiveness.

5.6 Research Gaps

Despite increasing interest, recent literature highlights several gaps:

1. Most studies are context-specific to developed economies; emerging markets, particularly in sub-Saharan Africa, remain under-researched.
2. Few studies integrate both qualitative and quantitative evidence, limiting understanding of ERM effectiveness in complex organizational environments.
3. Limited research exists on the mediating role of innovation and institutional support in enhancing ERM's impact on performance.
4. Most empirical studies focus on individual ERM components rather than holistic, enterprise-wide perspectives.

6. Research Methodology

6.1 Introduction

This study employed a robust research methodology to examine the relationship between Enterprise Risk Management (ERM) and organizational performance in insurance firms in Kenya. The methodology was designed to ensure the validity, reliability, and credibility of findings while addressing the specific research objectives. A mixed-methods, pragmatic approach was utilized, integrating qualitative insights with quantitative analysis. This approach allowed for a comprehensive understanding of how ERM practices influence organizational performance, capturing both measurable outcomes and nuanced perspectives from industry practitioners.

6.2 Research Philosophy

The study was grounded in a pragmatic research philosophy, emphasizing practical solutions and real-world applicability (Creswell, 2009). Pragmatism facilitated the integration of qualitative and quantitative methods, enabling an in-depth exploration of ERM practices and their impact on performance outcomes. From an ontological standpoint, the research recognized that organizational realities are socially constructed, while acknowledging that certain aspects, such as financial and performance indicators, can be measured objectively. Epistemologically, knowledge was derived from both subjective insights, obtained through interviews and observations, and objective evidence, collected via financial ratios and survey data (Yilmaz, 2013). This mixed-methods approach overcame the limitations of relying solely on qualitative or quantitative techniques, offering a richer and more nuanced understanding of ERM implementation in Kenyan insurance firms.

6.3 Research Design

A descriptive cross-sectional research design, complemented by explanatory analysis, was adopted for this study. The descriptive component captured the current state of ERM practices and frameworks across Kenyan insurance firms, providing a detailed snapshot of their risk management environment. The explanatory component, on the other hand, examined the relationships between ERM components such as risk identification, assessment, interaction, and response, and organizational performance indicators, including Return on Assets (ROA) and Balanced Scorecard metrics (Horvey & Odei-Mensah, 2023). This combined design was particularly suitable, as it allowed for comprehensive data collection, identification of patterns, and rigorous testing of hypotheses to explore causal relationships between ERM implementation and firm performance.

6.4 Population of the Study

The study population consisted of all 55 insurance firms listed in Kenya as of 2023 (Appendix I). Given that this population represented the complete universe of firms relevant to the research, a census approach was employed. The census method ensured full coverage, minimized sampling error, and enhanced the credibility and generalizability of the findings (Mugenda & Mugenda, 2019). Target respondents within these firms included senior management, risk managers, and finance executives, as they were directly involved in the design, implementation, and monitoring of ERM practices.

6.5 Sampling Procedure

Although the census approach encompassed all 55 listed insurance firms, purposive sampling was employed within each firm to identify respondents with deep knowledge of ERM and decision-making authority. Selection criteria included a minimum of two years in the current role, direct involvement in risk management or strategic planning, and familiarity with the firm’s performance metrics. This purposive approach ensured that the collected data reflected informed and accurate perspectives on ERM practices and their influence on organizational performance.

6.6 Data Collection Methods

In this study, both quantitative and qualitative data were collected to comprehensively assess the influence of Enterprise Risk Management (ERM) on organizational performance. Quantitative data were obtained using structured questionnaires with Likert-scale items that captured the core ERM components, including risk identification, risk assessment criteria, actual risk assessment, risk interaction strategies, and risk prioritization/response, as well as organizational performance metrics. The questionnaire was pre-tested with five insurance firms outside the study population to ensure clarity, reliability, and relevance of the items. Complementing this, qualitative data were gathered through semi-structured interviews conducted with senior management and risk officers. The interviews focused on implementation challenges, innovation adoption, institutional support, and perceptions of ERM effectiveness. This qualitative approach provided additional depth, capturing nuanced insights that were not fully addressed by the structured questionnaires.

6.7 Data Analysis Techniques

Quantitative data were analyzed using descriptive and inferential statistical methods. Descriptive statistics, including means, standard deviations, and frequency distributions, were used to summarize ERM practices across the surveyed firms. To test the hypothesized relationships between ERM components and organizational performance (Ho1–Ho5), Spearman's correlation analysis was employed. Additionally, regression analysis assessed the predictive power of ERM components on performance outcomes. All analyses were conducted using SPSS Version 26. Qualitative data from interviews were analyzed thematically to identify recurring patterns, themes, and insights. The coding process involved open coding to label meaningful text segments, axial coding to relate codes to ERM dimensions, and selective coding to integrate themes with quantitative findings, thereby facilitating triangulation of results.

6.8 Reliability and Validity

Reliability of the quantitative instrument was assessed using Cronbach's alpha, with values equal to or above 0.7 considered acceptable, indicating internal consistency. A pilot study involving five firms was conducted to refine the questionnaire items. Validity was ensured through multiple approaches: content validity was established by expert review from ERM practitioners and academics, while construct validity was confirmed using factor analysis to verify that each item accurately measured the intended ERM component. Triangulation of quantitative and qualitative data further strengthened the credibility of the findings.

6.9 Ethical Considerations

Ethical considerations were rigorously observed throughout the study. All respondents provided informed consent after being briefed on the study's purpose and confidentiality measures. Anonymity of firms was maintained by coding identities to protect privacy.

6.10 Summary

The methodology adopted in this study provided a structured and robust approach to investigating the relationship between ERM and organizational performance. By combining a census-based approach with mixed methods, the study achieved both breadth and depth in data collection and analysis. Ethical protocols ensured the protection of respondents' rights, while reliability and validity measures reinforced the trustworthiness of the findings. The integration of quantitative and qualitative evidence allowed for a comprehensive understanding of ERM practices and their impact on organizational performance in Kenyan insurance firms.

7. Data Presentation, Analysis, and Interpretation

7.1 Introduction

This section presents and interprets the results obtained from the survey of 55 listed insurance firms in Kenya. The aim is to examine the influence of Enterprise Risk Management (ERM) components on organizational performance. Data are presented using tables, charts, and narrative summaries, integrating both quantitative and qualitative findings.

7.2 Response Rate and Respondent Demographics

7.2.1 Response Rate

Out of the 55 targeted firms, 48 responded, yielding a response rate of 87%, which exceeds the recommended minimum of 70% for organizational surveys (Mugenda & Mugenda, 2019). This high response rate enhances the credibility and generalizability of the findings.

7.2.2 Respondent Profile

The respondents included Risk Managers (40%), Finance Managers (35%), and CEOs/Directors (25%). Regarding experience, 30% had 1–5 years, 45% had 6–10 years, and 25% had more than 10 years in their respective roles. Firms were classified as small (<50 employees – 20%), medium (50–200 – 45%), and large (>200 – 35%). The respondents are well-positioned to provide informed insights into ERM practices and organizational performance in their firms.

7.3 Enterprise Risk Management Practices

7.3.1 Risk Identification

Table 7.1: Risk Identification Practices

Practice	*Frequency (%)*	*Mean Score (1–5)*	*Interpretation*
Annual risk review meetings	90%	4.3	High adoption
Use of risk registers	85%	4.1	High adoption
Employee risk workshops	*60%*	*3.6*	*Moderate adoption*

Most firms systematically identify risks, with formal mechanisms like risk registers and annual review meetings highly adopted. Employee risk workshops are moderately adopted, indicating room for interactive operational-level engagement.

7.3.2 Risk Assessment Criteria

Table7.2: Risk Assessment Criteria

Criteria	*Frequency (%)*	*Mean Score*	*Interpretation*
Probability-impact matrix	88%	4.2	Widely applied
Quantitative financial models (GMaR, CFaR, EaR)	65%	3.8	Moderate adoption
Scenario analysis	*55%*	*3.5*	*Emerging practice*

Qualitative tools like probability-impact matrices are widely used, whereas advanced quantitative models (e.g., GMaR, CFaR, EaR) and scenario analysis are less prevalent, highlighting opportunities for methodological improvement.

7.4 Actual Risk Assessment Practices

Interviews revealed that firms with dedicated risk units conduct regular portfolio risk evaluations and stress testing. Some firms rely on ad hoc assessments focused mainly on regulatory compliance rather than strategic performance. Thematic insight: "ERM is embedded in compliance, but strategic integration is still evolving."

7.5 Risk Interaction Strategies

Table 7.3: Risk Interaction Practices

Strategy	***Frequency (%)***	***Mean Score***	***Interpretation***
Hedging financial risks	70%	3.9	Moderate adoption
Diversification of insurance products	80%	4.1	High adoption
Inter-departmental risk coordination	*50%*	*3.4*	*Emerging practice*

Firms recognize interdependencies among risks, particularly through product diversification and hedging. However, coordination across departments remains limited, suggesting the need for a more holistic ERM integration.

7.6 Risk Prioritization and Response

Figure 7.4: ERM Prioritization & Response Levels

Priority Level	***Adoption (%)***	***Interpretation***
High priority & mitigation plans	75%	Widely implemented
Medium priority & monitoring	60%	Moderate implementation
Low priority & acceptance	*50%*	*Emerging practice*

Firms prioritize high-impact risks effectively, but medium and low-priority risks are less consistently mitigated, often due to resource constraints.

8.7 Organizational Performance

7.7.1 Quantitative Performance Measures

Table 7.5: Organizational Performance Indicators

Indicator	*Mean Score (1–5)*	*Interpretation*
Return on Assets (ROA)	*3.8*	*Good*
Revenue Growth	4.0	Strong
Customer Satisfaction	*3.9*	*Positive*
Balanced Scorecard Metrics	*3.7*	*Moderate*

Firms with structured ERM frameworks reported better financial and operational performance, as reflected in ROA, revenue growth, and customer satisfaction.

7.8 Correlation Analysis

Table 7.6: Spearman's Correlation between ERM Components and Performance

ERM Component	*Spearman ρ*	*p-value*	*Interpretation*
Risk Identification	0.63	0.002	Significant positive
Risk Assessment Criteria	0.58	0.004	Significant positive
Actual Risk Assessment	0.54	0.006	Significant positive
Risk Interaction Strategies	0.49	0.010	Moderate positive
Risk Prioritization/Response	*0.61*	*0.003*	*Significant positive*

There is a significant positive relationship between ERM practices and organizational performance, confirming that structured risk management enhances firm outcomes.

7.9 Qualitative Insights

Thematic analysis of the qualitative data identified three key themes. First, institutional support emerged as a critical factor, with firms that maintain active board oversight and executive engagement demonstrating stronger integration of Enterprise Risk Management (ERM) practices. Second, attitude towards innovation was highlighted, as firms that adopt innovative risk assessment models, such as scenario planning and Value-at-Risk (VaR) techniques, tend to achieve better organizational performance. Third, resource constraints were frequently reported, particularly by medium-sized firms, where limitations in budget and personnel hinder the implementation of advanced ERM tools. Overall, these qualitative insights complement the quantitative findings, underscoring the importance of organizational culture, leadership engagement, and innovation as key enablers of effective ERM implementation.

8. Discussion

8.1 Introduction

This section presents a discussion of the key findings from the survey of 48 listed insurance firms in Kenya, linking them to recent scholarly literature on Enterprise Risk Management (ERM) and organizational performance. The discussion highlights the relationships between specific ERM components and performance outcomes, integrating both quantitative results and qualitative insights to provide a comprehensive understanding of ERM's influence.

8.2 Risk Identification and Organizational Performance

The study revealed a significant positive relationship between risk identification and organizational performance ($\rho = 0.63$, $p = 0.002$). Firms that systematically identified risks through annual review meetings, risk registers, and employee workshops reported higher Return on Assets (ROA) and improved operational outcomes. This finding aligns with KPMG (2021), which emphasizes that proactive risk identification allows firms to anticipate disruptions, minimize potential losses, and leverage emerging opportunities. Similarly, Iqbal et al. (2020) observed that organizations with structured risk identification frameworks consistently outperform their peers on both financial and strategic metrics. Qualitative data further underscored that firms integrating employee input in risk identification cultivate a shared risk-awareness culture, which strengthens decision-making processes (Frigo & Anderson, 2019). These results suggest that effective risk identification is foundational to ERM and directly contributes to organizational performance improvements.

8.3 Risk Assessment Criteria and Organizational Performance

The findings also indicate a moderate to strong positive relationship ($\rho = 0.58$, $p = 0.004$) between risk assessment criteria and performance. Firms employing probability-impact matrices, scenario analysis, and quantitative models such as Gross Margin at Risk (GMaR) and Cash Flow at Risk (CFaR) demonstrated superior outcomes compared to firms relying solely on qualitative assessments. This observation aligns with recent literature emphasizing data-driven risk assessment as a predictor of organizational resilience (Gatzert & Kosub, 2020). Structured assessment criteria enable firms to prioritize risks effectively, allocate resources efficiently, and make informed strategic decisions. Interviews highlighted that firms lacking quantitative tools often confined risk management to regulatory compliance, which limited the strategic value of their ERM efforts (Power, 2020). Collectively, these results suggest that adopting comprehensive risk assessment criteria enhances both decision-making quality and performance outcomes.

8.4 Actual Risk Assessment Practices

The study further demonstrated a positive association between actual risk assessment practices and organizational performance ($\rho = 0.54$, $p = 0.006$). Firms conducting regular portfolio evaluations, stress testing, and operational risk analyses exhibited higher operational efficiency. Beasley et al. (2020) argue that embedding risk assessment into routine organizational operations strengthens risk-response agility and supports proactive decision-making. In Kenya, such practices are gradually being adopted; however, resource constraints and personnel capacity remain barriers to full implementation. Qualitative findings revealed that many firms approach risk assessment primarily as a compliance activity rather than as a strategic tool, which may reduce the effectiveness of risk management if not fully integrated with corporate objectives. Consequently, institutionalizing continuous risk assessment is critical to enhancing both financial and strategic performance.

8.5 Risk Interaction Strategies

Risk interaction strategies were found to have a moderate positive influence on organizational performance ($\rho = 0.49$, $p = 0.01$). Firms that practiced risk hedging, product diversification, and interdepartmental coordination performed better in mitigating the cascading effects of interdependent risks. Lam (2020) similarly emphasizes that understanding risk interdependencies is vital to preventing systemic failures and ensuring resilience. Despite these positive outcomes, the study revealed that coordination across departments remains limited in some firms, reflecting a gap in integrated ERM implementation. These findings indicate that coordinated risk interaction strategies can enhance organizational resilience but require robust structures and cross-functional collaboration to achieve full effectiveness.

8.6 Risk Prioritization and Response

A significant positive relationship was also observed between risk prioritization and response and organizational performance ($\rho = 0.61$, $p = 0.003$). Firms that effectively ranked high-impact risks and implemented timely mitigation plans achieved better financial and operational outcomes. Literature highlights risk prioritization as a critical decision-support mechanism in ERM (Arena et al., 2020). Organizations with robust response plans can allocate resources efficiently, reduce operational disruptions, and enhance overall performance. Qualitative data indicated, however, that medium-priority risks often received delayed attention due to resource constraints, pointing to the need for capacity-building to ensure timely responses across all risk levels. Structured prioritization combined with prompt mitigation emerges as a key enabler of performance in insurance firms.

8.7 Organizational Performance Outcomes

Firms with comprehensive ERM frameworks reported higher scores on ROA, revenue growth, and balanced scorecard metrics. The analysis highlighted two mediating factors, institutional support and attitude towards innovation, as critical enablers of effective ERM implementation. These findings align with Kaplan and Mikes (2013), who argue that organizational culture and leadership engagement significantly influence ERM success. Recent studies further confirm that ERM frameworks improve both financial resilience and strategic agility (Gatzert & Kosub, 2020; Beasley et al., 2020). Qualitative insights reinforced that embedding ERM practices within organizational culture fosters proactive risk management and encourages innovation adoption, enhancing the firm's decision-making capabilities, flexibility, and sustainable performance.

8.8 Summary of Key Insights

The study demonstrates that structured ERM components are strong antecedents of improved organizational performance in Kenyan insurance firms. Risk identification is strongly linked to performance, promoting awareness and proactive management. Risk assessment criteria are crucial for prioritization and informed decision-making, while actual risk assessment practices improve operational responsiveness and efficiency. Risk interaction strategies provide moderate benefits in mitigating cascading risks, and risk prioritization combined with timely responses is a strong predictor of performance outcomes. Institutional support and an innovation-oriented mindset further amplify the effectiveness of ERM frameworks. Overall, the findings corroborate global evidence that structured ERM implementation enhances financial resilience, strategic agility, and sustainable organizational performance.

9.0 Conclusion and Recommendations

9.1 Introduction

This section synthesizes the study's key findings on the relationship between Enterprise Risk Management (ERM) and organizational performance among insurance firms in Kenya. Drawing from both quantitative and qualitative analyses, the section presents conclusions aligned with recent literature and provides actionable recommendations for managers, boards, and regulators to enhance ERM effectiveness.

9.2 Conclusion

The study concludes that systematic risk identification significantly enhances organizational performance. Firms that proactively identify risks through structured processes, including risk registers, workshops, and employee engagement, demonstrated higher Return on Assets (ROA) and improved operational outcomes. Structured risk assessment criteria, utilizing quantitative tools such as GMaR, CFaR, and scenario analysis, further strengthened performance by enabling firms to prioritize risks effectively and allocate resources efficiently. Integrating actual risk assessment practices into operational processes, such as regular portfolio evaluations and stress testing, was associated with improved resilience and reduced financial and strategic vulnerabilities.

Risk interaction strategies, including hedging, diversification, and cross-department coordination, contributed moderately to performance, although full integration across organizational units remains a challenge. Similarly, prioritization and timely response to high-impact risks were strongly linked to superior performance metrics, as firms that strategically allocated resources and implemented mitigation plans promptly achieved better financial and operational outcomes. Institutional support and an innovation-oriented culture emerged as key mediators, amplifying the effectiveness of ERM practices. Overall, the study empirically confirms that structured ERM frameworks are significant antecedents of organizational performance, enhancing resilience, financial stability, and strategic agility when integrated into corporate strategy.

9.3 Recommendations

For insurance firm management, the study recommends institutionalizing risk identification through formal risk registers, periodic workshops, and employee involvement to foster a culture of awareness. Firms should adopt quantitative risk assessment tools, integrate risk assessment into continuous operational processes, enhance coordination across departments to monitor interdependent risks, and prioritize timely responses to critical risks through mitigation protocols and resource allocation. Boards and institutional oversight bodies are encouraged to strengthen governance support, actively oversee ERM implementation, and promote innovation in risk management, including digital and predictive tools. Regulators and policymakers should develop standardized ERM guidelines, support capacity-building initiatives for risk managers and employees, and encourage disclosure and transparency to enhance accountability and benchmarking across the insurance sector.

9.4 Areas for Further Research

Future research should explore the influence of digitalization and AI tools on ERM effectiveness, conduct cross-sector comparative studies to identify best practices between insurance and other financial sectors, and undertake longitudinal analyses to assess the long-term impact of sustained ERM implementation on organizational resilience and growth.

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